

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2637 - SB 2533**

February 21, 2012

**SUMMARY OF BILL:** Establishes a minimum \$35 per day reimbursement rate for counties housing state offenders for the Department of Correction (DOC). Beginning July 1, 2013, and continuing each succeeding July 1, requires the reimbursement rate to be adjusted based on the percentage of change in the average consumer price index (CPI) as published by the United State Department of Labor, Bureau of Labor Statistics, between the two preceding calendar years. Prohibits a reduction in the reimbursement rate if there is a decrease in the average CPI.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$2,207,900/FY13-14**

**Exceeds \$2,207,900/FY14-15 and Subsequent Years**

**Decrease Local Expenditures - \$2,207,900/FY13-14**

**Exceeds \$2,207,900/FY14-15 and Subsequent Years**

**Assumptions:**

- The bill requires the increase in the per offender day reimbursement rate to begin on July 1, 2013; therefore, any fiscal impact will be realized in FY13-14.
- In FY10-11, the total DOC reimbursement to counties for housing offenders was \$135,720,800. The exact amount of reimbursement for FY11-12 is unknown. This estimate assumes that the actual reimbursement in the out years will be at least equal to the reimbursement in FY10-11.
- Over the past five years (2007 – 2011), the average Consumer Price Index (CPI) was 2.3 percent. Since the 2012 CPI is not available, a 2.3 percent CPI increase will be used to estimate the average change for 2011 and 2012.
- Applying a 2.3 percent increase to the flat rate of \$35 per offender day will result in an increase to the rate of approximately \$0.81 ( $\$35 \times 0.023$ ) in FY13-14. The total rate of reimbursement will be \$35.81 per offender day.
- In FY09-10, there were 88 counties that received reimbursements of \$35 per offender day. There were five counties (Coffee, Dyer, Henderson, Rhea, and White) that received less than \$35 per offender day and two counties (Davidson and Shelby) with facilities that received more than \$35 per offender day.
- There were approximately 6,906 offenders housed in local jails for which the state reimbursed the counties for in FY10-11.

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- The total number of offenders in the five counties that received less than \$35 per offender day housed approximately 269, or 3.9 percent, of the total offenders housed in local jails. It is assumed that these five counties accounted for 3.9 percent, or \$5,293,111 ( $\$135,720,800 \times .039$ ), of the total reimbursement.
- These five counties received an average reimbursement rate of \$30.83 per offender day. This reimbursement rate will increase by approximately 16 percent [ $(\$35.81 - \$30.83)/\$30.83$ ].
- The estimated increase in reimbursement for these five counties is \$846,898 [ $(\$5,293,111 \times 1.16) - \$5,293,111$ ].
- The two counties with facilities that received more than \$35 per inmate day housed approximately 3,626, or 52.5 percent, of the total offenders housed in local jails. It is assumed that these two facilities accounted for 52.5 percent, or \$71,253,420 ( $\$135,720,800 \times .525$ ), of the total reimbursement.
- Since these two counties currently receive more than the \$35 per offender day, no amount of increase has been applied to the reimbursement rate.
- The remaining counties, including one facility each in Davidson and Shelby Counties, received \$35 per offender day for housing approximately 3,011, or 43.6 percent, of the total offenders housed in local jails. It is estimated that these remaining counties accounted for 43.6 percent, or \$59,174,269 ( $\$135,720,800 \times .436$ ), of the total reimbursement.
- The amount of reimbursement per offender day is estimated to increase by the CPI of 2.3 percent to \$35.81. The estimated increase in reimbursement for these counties will be \$1,361,008 [ $(\$59,174,269 \times 1.023) - \$59,174,269$ ].
- The total increase in reimbursement to the counties for housing inmates in local jails is estimated to be \$2,207,906 ( $\$846,898 + \$1,361,008$ ) in FY13-14.
- The rate of reimbursement per offender day will fluctuate each year depending on the average CPI of the previous two years. Since the average CPI each year cannot be determined but the total amount of reimbursement per offender day cannot be reduced, it is estimated that any increase in the total reimbursement in subsequent years will exceed the amount of increase in FY13-14.
- There will be a corresponding decrease in local government expenditures due to the increased reimbursement from the state.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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